

NATIVE VILLAGE OF KONGIGANAK PUVURNAQ POWER COMPANY



MONITORING PLAN AND RECOMMENDATIONS

Prepared for:
ALASKA ENERGY AUTHORITY (AEA)

FEBRUARY 25, 2008

Prepared by:

AURORA CONSULTING
880 H Street, Suite 105
Anchorage, AK 99501
Ph. (907) 245-9245
Fax (907) 245-9244
EMAIL: us@auroraconsulting.org



TABLE OF CONTENTS

OVERVIEW	1
ELECTRIC UTILITY MANAGEMENT/OPERATIONAL SKILLS	5
Financial Management	5
Personnel Management	7
Operations Management	8
BUSINESS OPERATING PLAN COMPLIANCE	9
Financial Management	9
Personnel Management	11
Operations Management	12
RECOMMENDATIONS	13
TRIP PHOTOS	14

OVERVIEW

This Monitoring Plan and Recommendations was completed under contract to the Alaska Energy Authority (AEA) as a follow-up to an Electric Utility Upgrade project in Kongiganak, Alaska. The renovated Electric Power Generation Facility is located adjacent to the washeteria, water treatment plant, and water tank, and, consists of four diesel engine generators, automated switchgear, fuel handling, and a step-up transformer bank.

A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the Puvurnaq Power Company's maintenance, operation, and sustainability of the Electric Utility Upgrade (the "Facility"). The Puvurnaq Power Company (the "Primary Operator") is responsible to operate and sustain the newly installed Facility according to the criteria and guidelines outlined in the Business Operating Plan.

Facility Participant

The Facility participant is:

Puvurnaq Power Company

Native Village of Kongiganak

Primary Contact Name: *Harvey Paul, General Manager*

Phone: (907) 557-5616 Fax: (907) 557-5614

Address: Puvurnaq Power Company

Native Village of Kongiganak

P.O. Box 5009

Kongiganak, AK 99569

Facility Components & Capacity

The capacity of the electric facility is 770 Kw, using four generators (one at 250, two at 190 and one at 140). The generators feed automatic load sensing switchgear and step-up transformers and are sized so the largest generator is capable of handling peak loads.

Community Information

The Native Village of Kongiganak is located on the western shore of Kuskokwim Bay, near the mouth of the Kuskokwim River; more than 100 river miles downstream from Bethel and approximately 70 air miles southwest of Bethel. The State-owned 2,500 foot gravel airstrip accommodates scheduled air service to and from Bethel. The village is also accessible by float plane and water transportation.

Kongiganak was permanently settled in the late 1960s by residents of nearby Kwigillingok, who were seeking higher ground for protection from periodic flooding. Since then, the population has increased to about 360 residents. Most of the workforce is employed in the school, village government, stores, and commercial fishing; commercial fishing permits are held by about 30 residents.

Selected demographic and historical data for the community is provided below:

Population (2000 Census Data)	
2008 (<i>electric utility general manager estimate</i>)	340 - 360
2000	359
1990	294
1980	239
1970	190
Housing (2000 Data)	
Occupied Housing	79
Vacant Housing Due to Seasonal Use	1
Other Vacant Housing	10
Economic Data (2000 Data)	
Unemployment Rate	3.5%
Median Household Income	\$33,250

Native Village of Kongiganak

Kongiganak is incorporated as a city; however, it is managed by the Native Village of Kongiganak. The Native Village of Kongiganak provides a variety of business and service activities in the community.

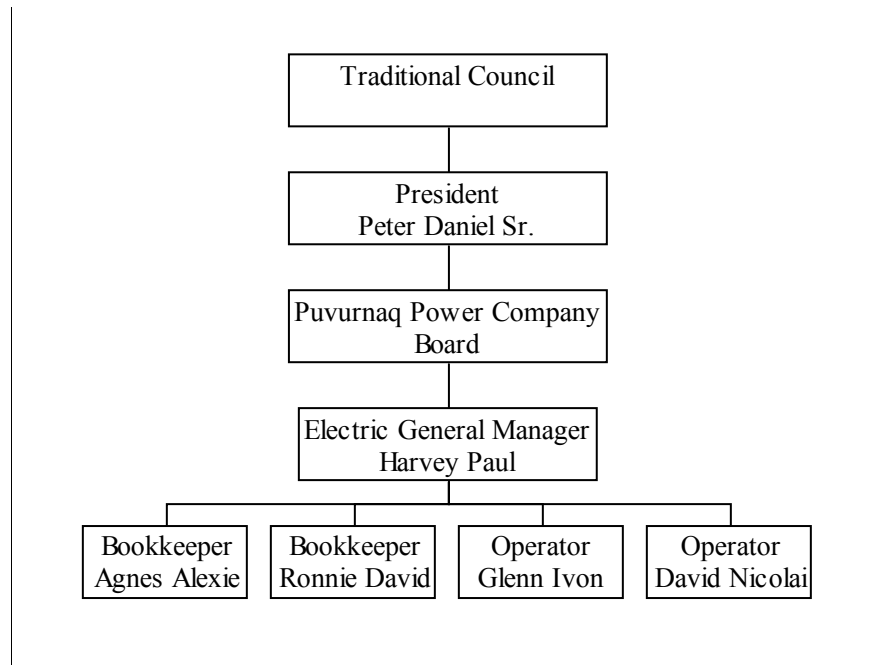
NATIVE VILLAGE OF KONGIGANAK CURRENT BUSINESSES AND SERVICES	
Business or Service	Description
Bulk Fuel Storage Facility	Bulk fuel tank farm operation
Electric Utility	Electricity provider
Village Health Clinic	Janitorial, maintenance and utilities
Washeteria	Coin-op washer and dryer, showers, retail laundry supplies
Water and Sewer Utility	Water, sewer, honey bucket haul
Village Public Safety Officer	Safety officers

The Native Village of Kongiganak owns and operates the community's electric utility, Puvurnaq Power Company. The Power Company maintains the generator plant and services the customer's electric needs as well as collects fees. The pre-pay "swipe card" continues to be introduced to customers; one federal commercial account utilizes this service as do about 15 residential accounts. The rest are billed off of meter readings. The Utility participates in the Power Cost Equalization (PCE) Program; the current charge per kWh is \$.45 with PCE contributing \$.2705 to residential accounts for up to the first 500 kWh.

The Puvurnaq Power Company Board of Directors approves the annual budget. Their fiscal year runs January through December. General Manager, Harvey Paul, oversees the expenditures made by the Power Company. He and the Board of Directors are authorized to sign Power Company checks and to authorize bank transactions; two signatures are required on checks. Bookkeeper, Ronnie David, is responsible for accounts receivable and accounts payable.

Since the Business Operating Plan, dated June 1, 2002, was finalized, there has been significant staff turnover. The following chart illustrates the staff relationships of the Puvurnaq Power Company:

**NATIVE VILLAGE OF KONGIGANAK
PUVURNAQ POWER COMPANY
FACILITY STAFFING**



The members of the Kongiganak Traditional Council and the Puvurnaq Power Company Board have changed as well:

Kongiganak Traditional Council	Position
Peter Daniel Sr.	President
Henry Kanuk	Vice President
Harvey Paul	Secretary
Eric Phillip	Treasurer
Cassius Brown	Member

Puvurnaq Power Company Board of Directors	Title
Daniel Azean Sr.	Chairman
James D. Lewis	Vice; Chairman
Jean Ivon	Secretary
John A. Phillip	Member
Evon Azean Sr.	Member

Monitoring Site Visit

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage, Alaska, to conduct a site visit to the Native Village of Kongiganak Electric Utility and to develop a “*Monitoring Plan and Recommendations*”. The scope of the assignment included working with the Village to obtain information on existing management and operational systems, comparing those systems to the Business Operating Plan requirements and other “best practices”, making recommendations for changes and/or training, developing on-going monitoring tools, and/or working to cure any deficiencies or defaults experienced by the Village.

Aurora Consulting traveled to Kongiganak on February 25, 2008 to meet with electric facility management and staff, including:

Contacts	Title
Harvey Paul	Puvurnaq Power Company General Manager
Ronnie David	Bookkeeper
Glenn Ivon	Electric Plant Operator

Monitoring Plan and Recommendations

The following Monitoring Plan and Recommendations is organized into three sections:

- Management and Operational Skills
- Business Operating Plan Compliance
- Recommendations

Management and operational skills identify those skills and practices that are crucial to the short-term viability of an electric utility, while the Business Operating Plan compliance areas identify those activities that are required by the Denali Commission approved Business Operating Plan.

Management skills include administration, fiscal systems, and collections. Operational skills include the ability to perform maintenance, repair, and operation of the electric utility facility. Both skill sets require knowledgeable and trained managers, bookkeepers, and facility operators to manage and operate the Facility on a daily basis. In contrast, the business operating compliance section details the key activities and actions required to be completed by the Facility in order to be in compliance with the terms and conditions of their Business Operating Plan.

Additionally, this report includes major recommendations for continued actions and training, which are detailed in the conclusion section of this report. These recommendations are limited to those actions necessary to meet the deficient management and operational skills or Business Operating Plan compliance areas.

OVERVIEW OF ELECTRIC UTILITY MANAGEMENT/OPERATIONAL SKILLS

Financial Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Financial Management Skill Areas</i>
<i>Annual Budget</i>					
		X			Develop and utilize budgeting process
		x			Staff understanding of budget
<i>Bookkeeping</i>					
			X		Develop and track facility costs using a Chart of Accounts
			X		Understand and track operation & management (O&M) costs
			X		Understand and track renewal & replacement (R&R) costs
<i>Collection Policy</i>					
				X	Policy in place
				X	Policy implemented
			X		Collections at appropriate level
<i>Business Operating Plan</i>					
	X				Policy board has general understanding of Plan and requirements
		X			Management has general understanding of Plan and requirements
	X				Staff has general understanding of Plan and requirements
		X			Management understands financial assumptions and tables
	X				Staff understands financial assumptions and tables
		X			Management capable of annual Plan update
	X				Staff capable of annual Plan update
<i>Power Cost Equalization Program</i>					
				X	Participate fully in PCE program
				X	Understands PCE filing and reporting
				X	Staff completes PCE filings and reports

Comments:

Annual Budget

The General Manager develops an annual budget for the Power Company which is then approved by the Puvurnaq Power Company Board of Directors. The General Manager uses this information to direct and track the activities of the electric utility. A copy of the FY '07 budget was available on request.

Bookkeeping

Puvurnaq bookkeeping is done using QuickBooks software. The Utility Clerk/Bookkeeper manages the bank accounts, daily cash reports, account payables, accounts receivable, and prepares payroll, PCE reports and other general bookkeeping duties.

The General Manager understands the difference between the O&M and R&R costs that must be tracked by separate accounts, as indicated in the Business Operating Plan.

Collections Policy

Currently, the pre-pay swipe card system is being introduced to Puvurnaq Power Company customers; about 15 residential customers and one federal commercial account are using them. The remaining customers are billed based on meter readings. Collections are about 90%. Billings are sent out monthly. At that time, customers are reminded if they have any amount outstanding. At 30 days, they are given a 10-day notice with a request to pay their bill or to set-up a payment program. If the customer does not respond, the notice is followed-up with phone calls.

Business Operating Plan

The General Manager has attended the AEA Electric Utility Manager Training and is familiar with the general terms and conditions of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements, and the Secondary Operator Agreement. The Board is generally familiar with the Business Operating Plan and its “big picture” concepts, but, does not have a working understanding of the Plan. Bookkeeper, Ronnie David, has attended the AEA Bookkeeping training, which introduces the Business Operating Plan and the bookkeeping duties relevant to it. Staff and management could be more familiar with the requirements of the Business Operating Plan in order to assist the Board in becoming more familiar themselves. And, while the Utility Manager is familiar with the terms and condition of the business operating plan, he would require additional training, with MS Excel, to update the financial tables. That being said, he is capable of preparing an annual O&M budget and following the R&R annual payment schedule presented in the financial tables.

Power Cost Equalization

The Puvurnaq Power Company participates fully in the PCE program and files the appropriate reports.

Personnel Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Personnel Management Skill Areas</i>
<i>Job Descriptions</i>					
			X		Job descriptions current for all positions
			X		Staff aware of/understand job descriptions
<i>Staffing</i>					
				X	Staffing adequate to operate & maintain the facility
<i>Training</i>					
		X			Staff has adequate training for job requirements
		X			On-going training in place

Comments:

Job Descriptions

Job descriptions exist for the electric utility staff positions and staff has a good understanding of their roles and responsibilities.

Staffing

It appears that the staffing level of the electric utility is adequate to operate and maintain the Facility.

Training

All of the management and staff of the electric utility facility have had basic training specific to their positions with the power company. Training is an on-going need, whether it is introducing new concepts and skills or reinforcing existing ones. The Utility Clerk/Bookkeeper has demonstrated basic knowledge of billing, recording, and collecting. Additional training in QuickBooks and more advanced bookkeeping and accounting skills and techniques training would be helpful to the position and the company. Although there is no formal, written training plan, the Puvurnaq Power Company recognizes the value of keeping training up-to-date and is responsive to training opportunities. Staff members have successfully completed a variety of training courses.

Operations Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Operations Management Skill Areas
<i>General Operations</i>					
				X	Management/staff have general understanding of operation needs
		X			System to schedule tasks for routine maintenance
		X			System to schedule tasks for non-routine maintenance
<i>Inventory Control</i>					
		X			Inventory control system in place
			X		Know what parts to keep in inventory for routine maintenance
<i>Emergency/Spill Response</i>					
			X		Staff can explain/locate oil spill response plan
		X			Written safety policy

Comments:

General Operations

Management and staff expressed that they have a good understanding of operational needs and understand what routine maintenance functions need to occur to keep the electric utility functioning and servicing the community; a daily log is used as a guideline for daily tasks and inspections. Other, less frequent, inspections and servicing appears to take place on an as needed basis, which, for long term planning, may be less than ideal.

Inventory Control

Minimal supplies are kept on-hand, due in part to the reluctance to keep too much money tied up in potentially unneeded items. While there is no formal inventory, it appears that both the General Manager and the Operators have a good idea of what they do have on hand. If a part needs to be ordered, it can be done in a timely manner and the staff knows how to order the needed items.

Emergency/Spill Response

The staff was able to locate Emergency/Spill Response plans and was generally familiar with their contents. And, while staff seemed confident that they would be able to handle a fuel spill – they were not totally conversant with the requirements of the Emergency/Spill plans. While a written safety policy does exist, it was not located during the visit.

BUSINESS OPERATING PLAN COMPLIANCE

Financial Management

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&M Accounts</i>			
X			Accounting established
X			Regular deposits into operating accounts
X			Systems in place for \$5,000 authorizations
<i>R&R Accounts</i>			
	X		Accounting established
	X		Regular deposits into accounts
	X		Interest-bearing savings accounts
	X		Resolutions required
	X		2 signatures required
		X	Escrow account established
		X	Resolutions required
		X	2 signatures required
<i>Budgets</i>			
X			O&M budget
X			Prior to fiscal year
	X		R&R budget
	X		Prior to fiscal year
<i>Business Plan Updates</i>			
	X		Review assumptions
	X		Update tables
<i>Audits</i>			
X			Annual audit conducted by qualified, independent auditor
	X		Copy to Denali Commission
<i>Annual Report</i>			
	X		Submitted to Denali Commission timely
	X		Summary of O&M and R&R Projects
	X		Expenditures and account balances
	X		Upcoming O&M and R&R budgets
	X		Updated business plan financial tables
	X		Other information
<i>Insurance</i>			
	X		General liability insurance in place
X			Other insurance in place

Comments:

O&M Accounts

The Native Village of Kongiganak, including the Puvurnaq Power Company, has established operating bank accounts at First National Bank of Alaska. The electric utility's operating and maintenance funds are deposited there; the General Manager oversees the expenditures made by the Power Company. The Board of Directors and the General Manager are authorized to sign Power Company checks and authorize bank transactions; two signatures are required on checks. The General Manager informs the Board about large or non-routine checks prior to writing them, includes this information in the monthly report, and, as with all checks, they require two signatures, at least one of which will be that of a board member.

R&R Accounts

The Power Company has not established an interest-bearing savings account for its R&R funds; however, the General Manager is aware that this account should be established as soon as it is possible.

Budgets

The General Manager, with the approval of the Board of Directors, has established on-going budgeting procedures for the operations of the electric utility.

Business Plan Updates

To date, the Electric Utility Business Operating Plan assumptions and financial tables have not been updated. The General Manager plans to look at them for the upcoming year.

Audit

An audit was conducted for FY 2006 by Mikunda Cottrell of Anchorage, Alaska. The General Manager is preparing to schedule an audit for '07. A copy has not been sent to the Denali Commission; the General Manager is aware that this is a part of the annual report due to the Denali Commission and AEA.

Annual Report

The power company's fiscal year ended on December 31, 2007 – and, as such, their annual report is due to the Denali Commission by March 31, 2008. Plans to prepare a report for FY '07 are underway.

Insurance

The Puvurnaq Power Company currently carries no liability insurance, though they are ready to get quotes on coverage. They do carry workman's comp.

Personnel Management

Yes	No	NA	<i>Personnel Management Compliance Areas</i>
<i>Facility Manager</i>			
X			Manager designated
	X		Changes reported to Denali Commission
<i>Staffing Adequate</i>			
X			Staffing adequate
<i>Training Plan</i>			
	X		Training plan in place

Comments:

Facility Manager

General Manager, Harvey Paul, has worked for the Puvurnaq Power Company since 1990, first as a Power Plant Operator and since 2002, as General Manager. This is a change from the General Manager named in the Business Plan; the Denali Commission has not been notified of this change.

Staffing Adequate

As mentioned previously, the current staffing seems to be adequate for the overall operation and maintenance of the facility.

Training Plan

The General Manager is aware of the importance of keeping key employees sufficiently trained to ensure complete compliance with the Business Operating Plan. While there is no formal training plan in place, he looks for and tries to take advantage of appropriate training opportunities for staff.

Operations Management

Yes	No	NA	<i>Operations Management Compliance Areas</i>
<i>Facility Components in Good Working Order</i>			
X			Facility components in good working order
<i>SPCC</i>			
X			SPCC on-hand
X			SPCC current
<i>Facility Response Plan</i>			
X			Plan on-hand
X			Plan current
<i>Coast Guard Operations Manual</i>			
X			Manual on-hand
X			Manual current

Comments:

Facility Components in Good Working Order

In general, the facility components appear to be in good working order. During the site visit, no unusual issues with the physical facility were noticed or reported.

SPCC/Facility Response Plan/Coast Guard Operations Manual

The Village has received its copies of the Facility's regulatory plans and its Operations Manual; and, the staff was able to locate them.

RECOMMENDATIONS

All of the Utility management and staff interviewed demonstrated a genuine interest in fully understanding and implementing the Business Operating Plan. The management/staff made themselves available for a thorough site visit to answer questions and review the Business Operating Plan and facility operations, and expressed interest in fully complying with terms and conditions of the Business Operating Plan and managing the Facility in a sustainable manner.

Management understands the need for the R&R account and continues to work with the Board to fund the account. All concerned understand the need to maintain the facilities into the future and are committed to making a good effort in that regard.

Management mentioned a need for assistance in establishing a system for tracking and allocating costs and partner payments for the Bulk Fuel Facility R&R and O&M.

The following outlines the systems and procedures that should be addressed by the Power Company, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

Systems and Procedures	ASAP	Within year	On-Going
Establish R&R bank accounts	X		
Develop process for partnering in BFU R&R and O&M costs		X	
Submit Annual Report to Denali Commission	X		
Include budgeting for and tracking of R&R expenses in annual budget and monthly and annual financial reports		X	
Technical Assistance/Training			
Additional QuickBooks/bookkeeping training for bookkeeper		X	
Develop plan for on-going training		X	
Operations			
Solicit information on liability and property insurance	X		
Purchase liability and property insurance		X	
Develop system to schedule tasks for routine maintenance		X	
Develop system to schedule non-routine tasks		X	
Develop a formal means of tracking inventory		X	
Develop means by which policy making board and staff become more familiar with the Business Operating Plan			X

TRIP PHOTOS



PCC Spill Sign.jpg



PPC Fencing.jpg



PPC Fire Equipment.jpg



PPC Manager.jpg



PPC Operator viewing training CD.jpg



PPC Operator.jpg



PPC Panel.jpg



PPC Pay Window.jpg



PPC Powerplant.jpg



PPC Safety Equipment.jpg



PPC Signage.jpg



PPC Spill Signage.jpg



PPC Switchgear.jpg



PPC To Do's.jpg